



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

Such assurance is without doubt desirable, but, except when auditors have evidence of internal check much more nearly adequate than most of them can now obtain in their engagements, it not only is more than they can take responsibility for giving but is likely to give false security to clients. The creative work of recommending adequate internal check for use between audits is not dwelt upon in the book, possibly because it is not a matter of auditing routine or technique.

Both for what Professor Wildman's book attempts to do, therefore, and for the way it does its work, it is well worth while. With the qualification that it should be accompanied by discussion of other, and even more important, aspects of auditing, it is to be recommended highly for use wherever auditing is to be studied. No discussion of auditing is complete without the sort of things that this book gives, and many things are not available, so far as the reviewer knows, anywhere else in book form.

WILLIAM MORSE COLE.

Harvard University.

Value for Rate-Making. By HENRY FLOY. (New York: McGraw-Hill Book Company. 1916. Pp. viii, 322. \$4.)

The purpose of the author is very frankly stated in the preface. His object is to prove that "the basis for rate-making should be the fair present value of the property used, regardless of the amount of the original investment in utilities established previous to the present public regulation régime"; that in this fair present value should be included not only the present value of the tangible property but the full value of all intangible property; and, lastly, that from the cost new should be deducted, as depreciation, only the "absolute" depreciation "which is in evidence, existing and determined by inspection." Deductions from the cost new for losses in value arising from obsolescence and inadequacy should not be made in rate cases, as figures representing such losses can be obtained only on "assumptions and computations."

Mr. Floy's work can best be characterized as a voluminous brief made not by a lawyer but by an engineer to substantiate the above claims and to support them by excerpts from many decisions of courts and commissions.

The volume might be of some assistance to a lawyer engaged

in an attempt to prove that a public utility company is entitled to have the highest possible value established as the fair basis for rates but it can not be accepted as the sound and impartial treatment of the subject of valuation which should be expected as the work of a trained engineer. On the contrary, the method of presentation is such that many false conclusions might be reached by one not familiar with the subject of valuations. As an example of several that could be cited is the discussion of reserves for depreciation (p. 245 *et seq.*). It is there stated that not only courts and commissions "but the Supreme Court itself has ruled on this question and held that only expenditures actually made can be claimed as proper deductions from earnings." Pages of arguments and quotations follow to prove that public utility companies in the past have not been allowed to make reserves for the renewals inevitably required at some later date. To one not familiar with the subject or not closely following the author's argument, the impression is given that the courts will permit only the cost of current maintenance to be included as a portion of operating costs. The author later, in a single paragraph unsupported by quotations from later court rulings, clears himself by stating that "the amount of the annual theoretical depreciation should be estimated and provided for out of revenue each year."

The above example may be taken as characteristic of the method pursued by the author in establishing his contentions. His claim for reproduction cost new as virtually the fair basis for rates is supported by pages of arguments and quotations to prove that original cost, amount and value of stocks and bonds, gross revenue and operating expenses, as well as worth of service can have little or no weight as evidence of the value, in a rate case, of the property of a public utility company operating "previous to the present public regulation régime." As a consequence, he claims that the reproduction cost must be accepted as the one and only proper criterion of value. However, he again clears himself by a short statement in which it is admitted that the Supreme Court has ruled that, in establishing the fair basis for rates, all of the above information should be obtained and presented to the rate-making tribunal as evidence to be weighed by it.

The author's treatment of the subject of depreciation is wholly

his own. His claim is that, in a rate case, the cost new should be reduced only by what he terms "absolute depreciation" and that there can be no reduction in value due to the "inadequacy" or "obsolescence" of elements of the property. To support this contention arguments and quotations are presented which, if fairly analyzed, are often based on false premises and are in no way helpful to one seeking a clear understanding of depreciation and of its effect upon the value of property. The author is justified in his endeavor to prove that a company, which in the past has made no reserves for renewals and has paid for necessary repairs and replacements from income, should not now be penalized by a reduction in the value of its property by amounts which modern theories hold should have been made to care for future renewals. He is not justified in claiming that there is no loss in the value of the investment of a company in perishable property arising from obsolescence or inadequacy when a fair basis for rates is sought. Nor is he justified in using many of the arguments which he presents in support of his case.

Value for Rate-Making will not be found particularly helpful to those seeking a general knowledge of the subject of valuations.

HAMMOND V. HAYES.

Brokerage Accounts. By FREDERICK S. TODMAN. (New York: Ronald Press Company. 1916. Pp. 338. \$3.50.)

Brokerage Accounts by Frederick S. Todman is a timely and able treatise in an important field of American business life. While many other phases of our security and produce markets have been treated in books and articles, no attempt worth mentioning, except in relation to clearing-house records, had previously been made to present in detail and in classified form the numerous books of record that are generally used by stock and produce exchange firms. As the author states, "the work is of a pioneer nature," since there were not available for consultation "works of others in this field, and beyond a few scattered references, there is an utter absence of literature treating the accounting feature of brokerage as practiced in this country."

Mr. Todman's book is to be commended for its detailed classification and simple style, the work aiming to serve a textbook use. There are 34 chapters grouped into 5 parts: I, Stock